

**Statement of
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Joint Strike Fighter Program
Office of the Assistant Secretary of the Navy
(Research, Development, and Acquisition)
on the
Joint Strike Fighter (JSF) International Cooperative Program
before the
Subcommittee on National Security, Emerging Threats, and International Relations
of the
Committee on Government Reform
House of Representatives
July 21, 2003, 1300 hours**

Mr. Chairman and other distinguished members of the subcommittee I want to thank you for this opportunity to share my views with you regarding the Joint Strike Fighter (JSF) Program and specifically the international aspects of the JSF System Development and Demonstration (SDD) phase. Our forces and those of our allies will obtain a quantum leap in coalition combat capability and interoperability as a result of participation in the JSF program.

The JSF program at its inception was designed to be a fully integrated international development program. International participation in the JSF program was determined to be in the best interest of the United States and our allies. Six of the eight SDD partner nations participated in the JSF Concept Demonstration Phase (CDP) co-development activities. Prior to commencement of the SDD phase, an SDD international cooperation strategy was approved by DoD, State Department, and Commerce Department and briefed to key Congressional staff in the Spring and Summer of 1999. As a result of this fully coordinated effort there was a comprehensive arms export transfer policy agreed to by both the Executive and Legislative Branches of our Government for JSF before it entered its SDD phase.

International participation was actively sought and negotiations conducted that culminated in the signing of the U.S./partner Memorandum of Understanding (MOU) and eight associated Supplements. Congressional notifications, as required by Section 27 of the Arms Export Control Act, were forwarded to the Hill for review prior to the Department signing the agreements. The agreements bring more than \$4 billion in SDD contributions from our partner countries. We have a golden opportunity with JSF to significantly improve future interoperability and coalition warfighting capability and to be in a position to capture the majority share of the large tactical aircraft export market.

As the strategy evolved, past cooperative development programs were carefully reviewed and evaluated and lessons learned carefully documented. The JSF strategy has taken advantage of these lessons learned and is now viewed by many as the model

cooperative development program that others should emulate. We have broken the old traditional paradigm of guaranteed work share as it applies to the industrial component of the program. Unlike past programs in which a dollar invested secured at least a dollar returned in a guaranteed work-share arrangement the JSF international agreements make no such guarantees. Instead, our government-to-government JSF SDD Framework MOU and country-specific MOU Supplements establish the principle that companies from the partner nations who seek work will do so on a competitive, best value basis. Our partners bought into this philosophy and convinced their respective governmental bodies that this is a better approach than the previous way of doing business.

Since the cornerstone of the JSF program is affordability, government guaranteed work share percentages would not have resulted in the most affordable solution or most affordable weapon system. To obtain JSF industrial work, our partners' industries must be competitive in today's global marketplace and must earn their way onto the program. Our strategy of exploiting competition on a global basis, versus the previous guaranteed work share philosophy, has paid dividends in the form of cost reductions and technology insertion. International participation in the JSF SDD program brings foreign investment into the program that might have otherwise been channeled to a foreign competitor. Since this was a new way of doing business for both the U.S. and our international partners, the challenge was to create an environment in which best value competition could take place. While the government negotiating teams were conducting MOU negotiations the industry teams, led by Lockheed Martin, Pratt and Whitney and General Electric, were performing market analysis in prospective partner countries to ascertain their ability to meet the JSF affordability objectives with leading edge technology and products. U.S. industry determined that selected companies in all eight of the partner countries possessed the requisite skills to meet the technology challenge in a worldwide competitive environment.

To compete for work the JSF program recognized that the export control process would need to be streamlined so that bid and proposal discussions could take place at the earliest possible stage, thereby permitting timely award of foreign subcontracts to meet program schedule and cost. To facilitate this process the JSF program office worked in close conjunction with Lockheed Martin, the State Department, and the Defense Technology Security Administration to establish a Global Project Authorization (GPA) to permit rapid review and approval of export licenses needed during the course of the SDD phase. The GPA, which addresses unclassified, non-sensitive technologies, was notified to Congress and approved by the State Department in October 2002. The GPA, which became functional in March 2003, with State Department approval of Lockheed Martin's compliance plan, enables the State Department to approve GPA Implementing Agreements for unclassified and non-sensitive technologies within five days of submittal versus the more traditional export license approval process, which can take as much as 60 to 90 days. The GPA also frees up manpower within the Department of Defense and State Department to more carefully evaluate export license approval requests that address areas related to sensitive unclassified or classified technologies. The GPA is an enabler that allows JSF contractors to take full advantage of the global marketplace.

Unlike most past cooperative development programs, the JSF Program Director makes all final decisions regarding the program. The Program Director consults with the partners on all major decisions regarding cost, schedule and performance and is ultimately responsible for those decisions. Due to the partners' significant investments in the program, and the fact that the partner nations do not possess veto authority on major program decisions, the international agreements we established provide both the U.S. and partner nations with an appropriate balance of responsibilities and obligations. For example, the MOU cost sharing provisions require the JSF Program Director to notify the partners if there is a program cost increase beyond the MOU target cost. The rationale for the proposed increase is discussed and, in certain circumstances, we would ask the partners to pay their fair share of the increase beyond the previously agreed upon target cost. However, they are not obligated to do so. We anticipate that, upon DoD's request, the partners will use their best efforts to share in target cost increases since the health and future success of the program is critical to achieve the force structure updates the JSF partners need to meet and defeat the threat in the year 2010 and beyond. The SDD target cost recently increased due to a further refinement of the cost estimate of the G.E. engine development program and further refinement of the cost estimate for insuring we develop, produce, and deploy a superior weapon system that is fully compliant with National Disclosure Policy. DoD elected not to ask the partners to share in this target cost increase since the cost increases were considered to be within the scope of the existing agreement. .

A key enabler to allow the JSF program to meet its affordability objectives is the high degree of design commonality among the three variants of the aircraft (Conventional Take Off and Landing or CTOL, Short Take Off and Vertical Landing or STOVL, and Carrier Variant or CV). The U.S. plans to procure 2443 JSF aircraft composed of these three variants. An additional enabler is the procurement envisioned by other countries, and the commonality between the U.S. and partner country aircraft. It is anticipated that our partners will procure nearly another 700 aircraft. There is also the large potential export market, other than our current partners, that could generate additional sales for a total of approximately 1500 to 3000 aircraft other than the U.S. aircraft. The Department has worked very diligently to insure that partner country JSF aircraft comply with National Disclosure Policy and simultaneously provide the U.S. and our allies with a superior JSF weapon system that can interoperate and transform coalition warfare. Adherence with National Disclosure Policy protects the most sensitive U.S. technology while minimizing design differences. We have defined configurations of the JSF that are fully compliant with National Disclosure Policy and are as highly common as possible. This will be positive for affordability and will enhance the coalitions' future ability to be highly interoperable and highly effective in peacetime training and in combat operations. This was accomplished with a full appreciation of technology transfer issues and we have taken the necessary measures to protect the most sensitive U.S. technology. We have risk mitigation plans in place, we have implemented security agreements with our existing international partners, and we are in full compliance with National Disclosure Policy. We have also established a position within the JSF program office that functions as a fulltime export compliance officer. This individual is responsible to ensure that export

license requests are in full compliance with existing National Disclosure Policy in order to avoid any potential disconnects between policy and the export authorization.

In summary, we are currently meeting our international commitments, and, the benefits that our partners and we expected, upfront, are being realized. We are working closely with our industrial team to manage this very complex relationship and are confident that we have found the proper balance between National Disclosure Policy, affordability, interoperability, and the transformation of coalition warfare. Lockheed is developing a long-term road map that will define future needs for the transfer of sensitive data and technology to partner suppliers. This will facilitate the early identification of program needs and allow us to collectively address tech transfer issues and make sound decisions on the appropriate course of action. The JSF international strategy represents a major shift in the way we manage and execute international cooperative programs. To date, that strategy has been fully implemented and the partnership is working.

That concludes my written statement. I want to thank you again for giving me the opportunity to discuss with you the status of the Joint Strike Fighter program.